

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 17 November 1977 CG NIDC 77/267C

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

State Dept. review completed

DIA review(s) completed.

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National Intelligence Daily Cable for Thursday, 17 November 1977

The NID Cable is for the purpose of informing senior US officials.

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MOROCCO-ALGERIA-FRANCE: Rhetoric

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[] Arab efforts to mediate Algeria's dispute with Morocco and Mauritania over Western Sahara are continuing. Neither side is willing to compromise but will probably respond to Arab urgings to avoid a wider conflict.

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[] Egyptian Vice President Mubarak returned to Cairo on 15 November after visiting Rabat, Algiers, Nouakchott, and Paris. At each stop, Mubarak presumably stressed the need to avoid a direct military confrontation that could distract the Arabs from the broader issue of Middle East peace negotiations. Saudi Foreign Minister Saud is also visiting the disputants.

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[] The debate on Western Sahara in the UN trusteeship committee ended inconclusively last week, and a resolution was adopted to suspend debate and refer the matter back to the Organization of African Unity. There are some signs that support for Algeria's position at the UN is increasing.

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[] Morocco and Algeria continue to make tough public statements and to blame each other for intensifying the quarrel. Algerian demarches to foreign governments and international organizations are intended to forestall Moroccan "hot pursuit" raids against Polisario Front guerrilla sanctuaries in Algeria and to counter French military pressure tactics.

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[] French negotiator Claude Chayet returned to Algeria last weekend for more meetings with Polisario representatives aimed at securing the release of the French citizens held by

[]

the Front. Although Chayet's efforts continue to be inconclusive--he reiterated this week that he does not expect rapid progress--a Front representative in Brussels predicted a "happy outcome" for the eight captives.

25X1 [] The most recent official French press releases have emphasized the humanitarian aspect of the hostage issue and the separation of that issue from the broader problem of Western Sahara. The statements have reiterated France's professed neutrality on the sovereignty issue.

25X1 [] Meanwhile, Spain has been drawn into the latest public exchanges on the Sahara dispute. Three Spanish fishermen were taken from their boat off the coast of the Western Sahara on Monday. Mauritanian allegations that the Polisario Front is responsible have been picked up in the Spanish press but remain unconfirmed. It seems equally possible that Mauritania--engaged in a fishing dispute with Spain--or Morocco, despite its denouncement of the incident, seized the fishermen in a deliberate attempt to discredit the Polisario Front, which enjoys considerable support from the Spanish left.

25X1 [] Madrid has asked Mauritania and Morocco for information and, according to the Spanish press, has dispatched a destroyer to protect the fishing fleet in the area.

25X1 [] On Monday the Spanish leftwing opposition issued a statement condemning the Madrid accords, which provide for a phased turnover of territorial administration to Morocco and Mauritania, and calling for an immediate halt to delivery of Spanish arms to Rabat and Nouakchott.

25X1 [] Spanish officials announced last week that no new arms contracts would be signed with Morocco and Mauritania. []



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25X1 [] Many Spaniards, particularly leftists but also some members of the armed forces, believe that Spain abandoned the Saharans to Morocco and Mauritania. During the past two years,



Spanish leftist parties have lent moral support to the Polisario Front, endorsing its claim to be the legitimate representative of the Saharan people.

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 The official Spanish position on the Western Sahara is that the decolonization process initiated in November 1975 will not be completed until a valid referendum of the Saharan population has been held. 

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POLAND: Debt and Trade Problems

25X1 [] Poland's hard-currency debt grew from \$800 million in 1970 to \$10.2 billion by the end of 1976 as a result of its soaring trade deficits with the developed West. Although Warsaw had planned for a large increase in its debt, its larger than expected imports of Western capital equipment and grain, combined with recession in its Western export markets, helped push Poland's debt even higher. So far, Poland has been able to obtain the funds it needs to cover its trade deficits and to meet growing debt obligations, but both Warsaw and some Western lenders are becoming increasingly concerned over Poland's growing debt burden.

25X1 [] Warsaw has made some attempts to bring its hard-currency trade deficit under control. Efforts to boost exports, however, continue to be thwarted by sluggish Western economic recovery and soft world prices for Poland's major exports. Poland has had more success in holding down imports. It has been assisted in this by a commitment of more Soviet oil through 1980 and by last year's Soviet credit, which probably has allowed Warsaw to shift some of its hard-currency raw material purchases to the USSR. Even so, Poland's trade deficit with the developed West this year is expected to exceed \$2.5 billion.

25X1 [] Poland has limited options over the next few years in managing its hard-currency debt. Warsaw must continue to curb imports, even though economic growth plans and consumer needs require large imports of Western machinery, industrial materials,

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[redacted]

and agricultural products. Rather than reduce growth targets substantially and make consumers tighten their belts, Warsaw probably will seek some form of assistance from the West.

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[redacted] //So far this year, Warsaw has approached West Germany and the US for extraordinary concessionary credits.

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[redacted]

The Poles may also ask one or both CEMA banks for a hard-currency loan. The money could be borrowed by the CEMA institutions from Western banks on behalf of Poland--with no public announcement.

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[redacted] If such loans prove to be insufficient to ease Poland's financial difficulties, Warsaw may have to reschedule some of its debt. Poland probably would turn first to individual Western commercial banks to which it is heavily in debt.

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[redacted] As a last resort, the Poles might try to reschedule Western government and government-backed credits. Warsaw probably would start with Austria, France, or the UK because of the large amount of government-backed debt outstanding and the excellent political relations Warsaw has with these countries. Warsaw probably will be reluctant to approach the West Germans because of Bonn's past extensions of large financial assistance. Poland might also hesitate to turn to the US for rescheduling, especially if it receives US concessionary credits for its agricultural purchases.

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[redacted] Whatever approach or combination of approaches Warsaw might take to ease its financial burdens, major rescheduling or borrowing could take place as early as next year and possibly by 1979. [redacted]

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IRAQ-USSR: Diversification

[redacted] Iraq has been buying weapons systems in Western Europe since early 1974. Iraqi leader Saddam Husayn is pursuing a deliberate policy of diversification in order to acquire the most advanced military equipment available; he also hopes to limit Moscow's ability to use arms for political leverage. There is no indication that Iraq intends to end its military relationship with the USSR.//

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25X1 [redacted] //Soviet attempts to enforce the provision in its military supply contracts that no Western materials be used for replacement parts for Soviet-supplied items are apparently causing friction between the Soviets and the Iraqis.

[redacted] 25X1 DIA Iraq's new Defense Minister, Adnan Khayrallah Talfah, is "vexed" by these contractual difficulties and is convinced that most Soviet material is inferior to that available from the West.//

25X1 [redacted] There are other irritants in relations between Moscow and Baghdad. This spring, Iraq for the first time openly criticized Moscow for urging the Arabs to participate in any reconvened Geneva talks and for supporting negotiations with Israel. Although officially the Iraqi Government has been silent on the US-Soviet joint statement of 1 October, the government-controlled media have been very critical.

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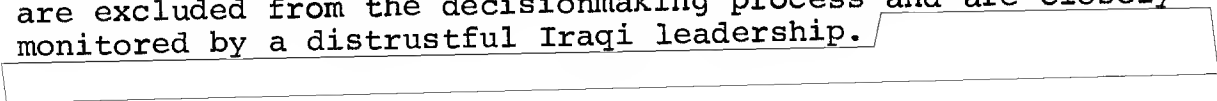
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[redacted] Moscow is unhappy with Baghdad's support for Somalia and the Eritreans in their conflict with Ethiopia. The Soviets have also repeatedly urged Iraq and Syria to reconcile their differences.

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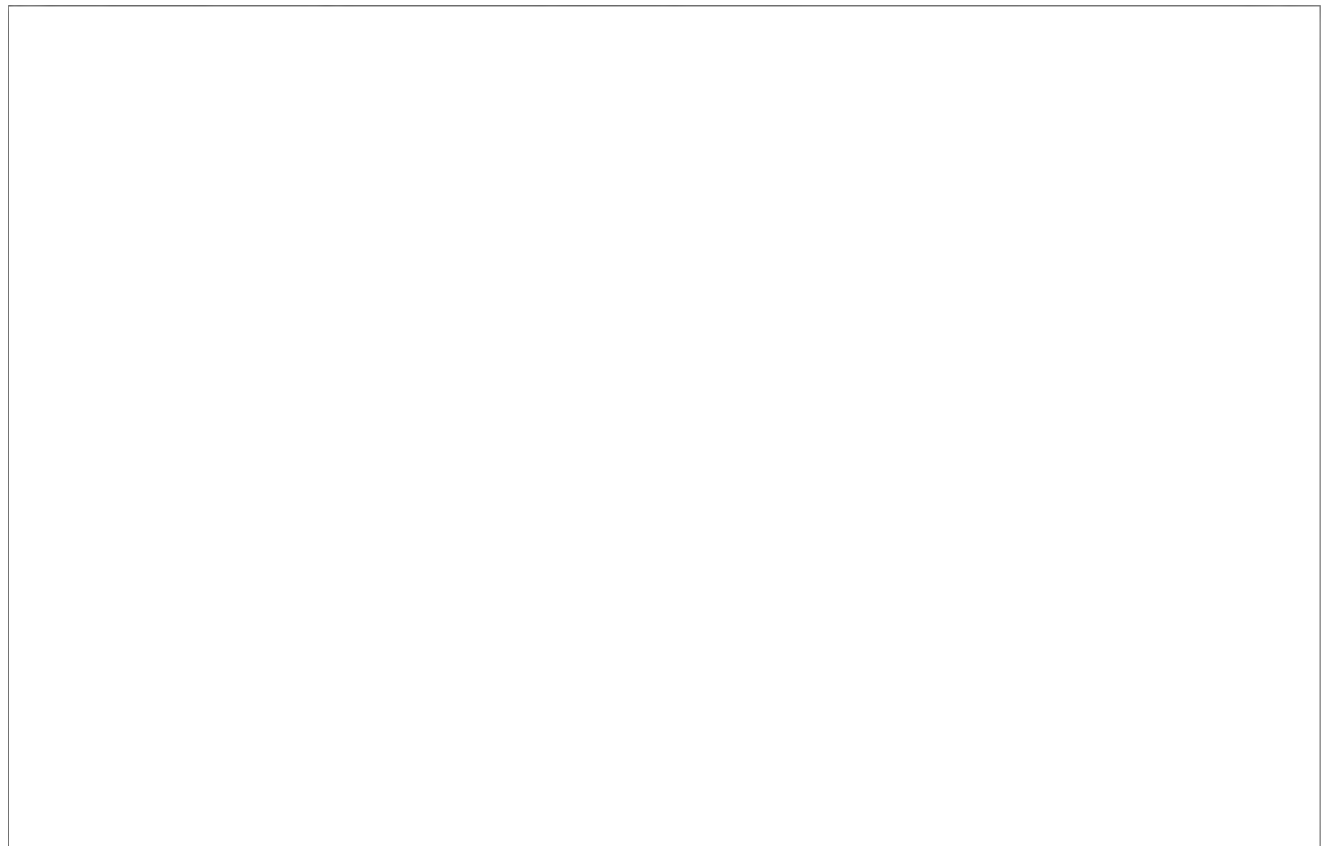
[redacted] Finally, the Soviets are unhappy with the precarious status of Iraq's Communist Party. Although the party is legal and two Communists are cabinet members, the Iraqi Communists are excluded from the decisionmaking process and are closely monitored by a distrustful Iraqi leadership.

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BRIEFS

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Laos

Twenty-six residents of a village near Vientiane were executed on 10 November for plotting to assassinate government leaders, including Premier Kaysone Phomvihane. Neither Thailand nor the US has been accused of complicity in the alleged attempted revolt.

There had been no reports of assassination plots in the press or in the rumor mill, and the plots may never have developed beyond the talking stage. Security for Kaysone and other leaders is extremely tight.

Wide domestic coverage of the trial and execution reflects the regime's preoccupation with internal threats, and could presage harsher security measures.

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Mexico

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[redacted] Mexico apparently has concluded agreements for a \$1.2 billion syndicated Eurocurrency loan, one of the largest such loans ever arranged for a foreign government. A consortium of 119 banks in 13 countries will provide the loan, which will reportedly be for seven years with an interest rate 1.75 percent above the London Inter-Bank offer rate.

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[redacted] Approximately 22 percent of the loan will involve rollovers of existing loans. The remaining funds are earmarked for a number of public investment purposes, including expanded petroleum exploration, increases in electrical generating capacity, agricultural development, and a modest industrial loan program. [redacted]

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USSR

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[redacted] The Soviets have completed the first rail spur to the southern Yakutsk coal basin, which contains an estimated 20 billion tons of coking coal. The 4400-kilometer rail line--the first branch opened on the Baikal-Amur railroad--will facilitate development of an open-pit coal mine at Neryungri. Mining is scheduled to begin in late 1978 or early 1979. The rail line will be extended several hundred kilometers north through the southern Yakutsk region, where iron ore deposits estimated at 2.5 billion to 3 billion tons are located.

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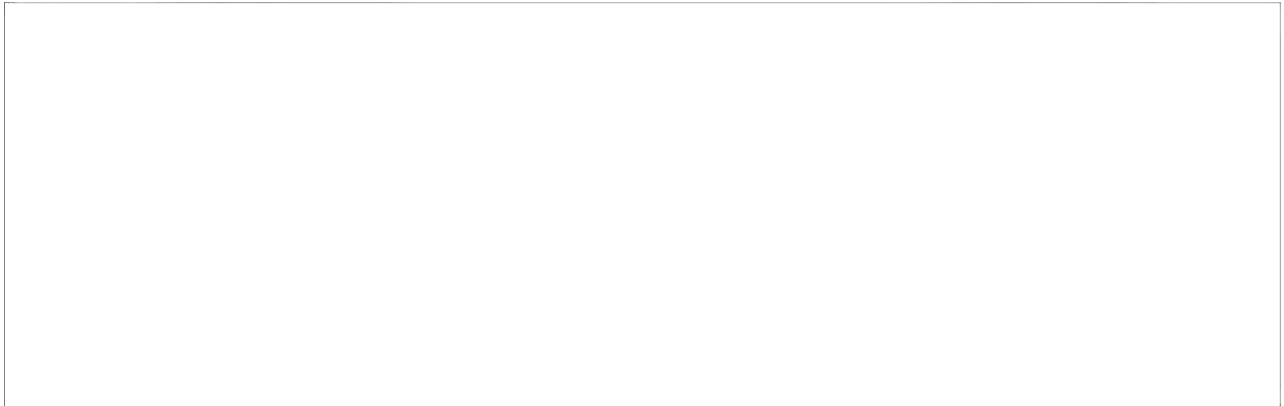
[redacted] The rail line is part of a joint Soviet-Japanese project. Japan is providing \$540 million in credits from its Export-Import Bank and will receive 5.5 million tons of coking coal annually from the Neryungri mine between 1983 and 1999--10 percent of its current demand. [redacted]

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[redacted]

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Afghanistan

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 //The assassination yesterday of Afghanistan's Planning Minister Khurram does not appear to have been politically motivated. Although there is considerable discontent in the cabinet and at least five ministers have submitted their resignations, Khurram was not involved in the dispute. The US Embassy in Kabul believes the assassin was probably either a disgruntled ministry employee or someone who acted because of a family feud. 

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